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BUSINESS INFORMATION BUREAU
CORPORATION FILE

Walgreen

DRUG STORES

MRB
CORP. FILE

WALGREEN CO.
REPORT TO STOCKHOLDERS
Year Ended
September 30, 1932



November 12, 1932.

TO THE STOCKHOLDERS OF WALGREEN CO.

We are again using the amplified form of annual report which we sent you last year for the first time, in the belief that it will prove of further interest to stockholders.

Our net profits from operations for the current year were \$1,876,620.86 in comparison with \$2,260,351.07 last year. This is reasonably satisfactory in view of the continued and rather more severe general industrial depression. After the usual charges and credits, this results in net earnings on common stock of \$1.75 per share this year as compared with \$2.05 last year, the amount in each case being figured upon the net number of shares outstanding at the end of the respective years.

I explained in the letter (April 28, 1932) which accompanied our interim statement that we had completely charged off all remaining capital balances in our leasehold improvement accounts. You will observe that all expenditures of this type made during the year under review, have been charged against current earnings. Your management further decided to write off \$917,071.95 from the company's equipment accounts, against earned surplus. In the main, this represents a leveling down of the balances in certain store equipment accounts, which were taken over as part of the acquisition of chains of stores in the past.

We believe that it is a sensible thing to scale down any capital values which are out of line with current conditions, and to deflate the annual overhead of fixed charges along with other costs. In this connection, our vigorous efforts to secure economies of all sorts have been in part neutralized by an increase of local taxes throughout the country. Fixed asset accounts have further been reduced by charges for depreciation taken against current earnings. In the strained conditions of the past year, we deemed it to be in the broad interest of the Company to give certain concessions to employees (not officers) who purchased stock of the Company under our managers' investment plan. This has resulted in our writing down our investment in Walgreen Managers' Investment Company by \$100,000.00. The contingent liability carried on earlier balance sheets, arising from the acquisition of a subsidiary in 1929, has been settled and charged off.

It will be observed that during the year we acquired shares of the capital stocks of subsidiary companies, of our own preferred stock, and of our own common stock: all of these were acquired at less than par value or sound book value, respectively.

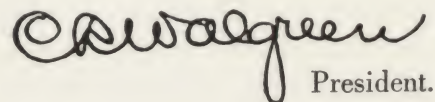
We opened thirty stores during the year, and closed twenty-four. As stated in letter of last April, leases are a problem in any period of deflation, but we have lost no desirable locations and have made progress in securing necessary adjustments.

While our earnings per share upon common have for many years been substantial, no dividends have been paid to our common stockholders. I shall in the near future take up the question of dividends upon common stock, and expect to make an announcement at our stockholders' meeting in December.

May I repeat the concluding paragraph of my last letter to you:

“The morale of our executives and employees was never better in the twenty years which I have been president of this business, and while conditions are admittedly difficult, we are endeavoring to look at them as a challenge to our resourcefulness.”

Yours very truly,


President.

ARTHUR ANDERSEN & Co.

ACCOUNTANTS AND AUDITORS

CHICAGO
NEW YORK
WASHINGTON
DETROIT
MILWAUKEE
KANSAS CITY
LOS ANGELES
SAN FRANCISCO
—
CABLE ADDRESS
ARTHANDER

TELEPHONE
RANDOLPH 5386

ONE LA SALLE STREET BUILDING

CHICAGO

REPRESENTATIVES IN EUROPE AND SOUTH AMERICA
MCAULIFFE, DAVIS AND HOPE
CHARTERED ACCOUNTANTS
LONDON - PARIS
BARCELONA - MADRID
MCAULIFFE, DAVIS, BELL AND CO.
CHARTERED ACCOUNTANTS
RIO DE JANEIRO - SAO PAULO
SANTOS - PARA
BUENOS AIRES

To the Board of Directors,

Walgreen Co.:

We have examined the accounts of WALGREEN CO. (an Illinois corporation), Chicago, Illinois, and its subsidiary companies for the year ended September 30, 1932 and certify that, in our opinion, the attached balance sheet fairly presents the consolidated financial position of the companies at that date.

We further certify that, in our opinion, the attached consolidated statements of profit and loss and surplus accounts fairly present the results of their operations and changes in surplus accounts for the year ended September 30, 1932.

Arthur Andersen & Co.

Chicago, Illinois,

November 7, 1932.

WALGREEN CO. (AN ILLINOIS

CONSOLIDATED BALANCE

A S S E T S

CURRENT ASSETS:

Cash	\$1,397,240.20	
Trade accounts and other receivables —less reserve.....	329,348.10	
Notes receivable	115,961.49	
Merchandise at retail stores, warehouses and factories based on latest physical inventories adjusted to September 30, 1932, certified by the management as to quantities and condition, valued at the lower of cost or market	6,083,163.50	
TOTAL CURRENT ASSETS		\$ 7,925,713.29

PREPAID RENT, INSURANCE, TAXES, ETC.		350,213.00
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INVESTMENTS AND OTHER ASSETS:

Investments in other companies (at cost)	\$ 416,535.46	
Mortgage, notes and accounts, including employees' accounts—less reserve....	452,262.74	
Investment in Walgreen Managers' Investment Company—represented by 3,000 shares of preferred stock	200,000.00	
Cash surrender value of life insurance	120,107.60	1,188,905.80

FIXED ASSETS:

Classification	Cost—Less Write-downs	Accrued Depreciation	Net Book Value	
Land	\$ 219,444.05	\$ —	\$ 219,444.05	
Buildings	792,749.19	110,854.58	681,894.61	
Equipment—				
Store, factory, warehouse, etc.	9,582,582.90	3,166,922.13	6,415,660.77	
	<u>\$10,594,776.14</u>	<u>\$3,277,776.71</u>	<u>\$7,316,999.43</u>	7,316,999.43

GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ORGANIZATION, ETC.		1.00
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\$16,781,832.52

CORPORATION) AND SUBSIDIARIES

SHEET — SEPTEMBER 30, 1932

LIABILITIES AND NET WORTH

CURRENT LIABILITIES:

Commercial paper	\$ 200,000.00	
Accounts payable	1,497,743.45	
Employees' investment certificates	31,250.00	
Accrued salaries and other expenses	475,501.01	
Provision for Federal income taxes	109,199.56	
Purchase money obligations—non-current	21,250.00	
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TOTAL CURRENT LIABILITIES		\$ 2,334,944.02

PREFERRED STOCK OF SUBSIDIARY COMPANY IN HANDS OF PUBLIC (including accrued dividends)		524,760.00
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NET WORTH:

Preferred stock—6½% cumulative—

Authorized and issued—45,000 shares par value \$100.00 each (less 2,000 shares retired and 2,323 shares held in treasury for anticipated sinking fund requirements)		
Outstanding—40,677 shares. Dividends paid to October 1, 1932.....	\$4,067,700.00	

Common stock—

Authorized—1,000,000 shares without par value		
Issued—858,409 shares (less 84,550 shares in treasury at cost)		
Outstanding 773,859 shares	5,733,302.56	

Earned surplus	4,121,125.94	13,922,128.50
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NOTE:—Preferred stock is redeemable on call or liquidation at premiums varying from \$15.00 to \$7.50 per share.

Common stock is reserved against the exchange of 63,818 warrants.

\$16,781,832.52

WALGREEN CO. (AN ILLINOIS CORPORATION)
AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1932

NET SALES	\$47,612,220.12
COST OF SALES	31,176,938.49
Gross profits on sales	\$16,435,281.63
STORE EXPENSES	13,889,570.09
Net profits from store operations	\$ 2,545,711.54
GENERAL AND ADMINISTRATIVE EXPENSES	669,090.68
Net profits from operations	\$ 1,876,620.86
OTHER INCOME	211,273.67
Net profits before cost of leasehold improvements and other charges	\$ 2,087,894.53
DEDUCT:	
Improvements to leased property during year	\$ 62,708.94
Other charges—net	308,519.29
	371,228.23
Net profits before Federal income tax	\$ 1,716,666.30
PROVISION FOR FEDERAL INCOME TAX—less credits	53,468.34
Net profits	\$ 1,663,197.96

NOTE: The profits as above stated are after provision for depreciation of buildings, equipment, etc., \$876,861.38, and after provision for amortization of short life equipment, \$113,724.16.

SUMMARY OF CONSOLIDATED EARNED SURPLUS ACCOUNT

BALANCE—SEPTEMBER 30, 1931	\$ 5,933,565.55
ADD—NET PROFITS FOR THE YEAR ENDED SEPTEMBER 30, 1932	1,663,197.96
	\$ 7,596,763.51
DEDUCT:	
Leasehold improvements written off	\$1,584,594.33
Adjustment of equipment values of certain stores	917,071.95
Adjustment of value of investment in Walgreen Managers' Investment Co.....	100,000.00
Final settlement of contingent liability for goodwill of subsidiary and cost of lease cancellations less discount on own preferred and subsidiary stocks acquired	562,789.06
Dividends—	
On Walgreen Co. preferred	\$271,033.21
On subsidiary company's preferred stock in hands of public	311,182.23
	3,475,637.57
BALANCE—SEPTEMBER 30, 1932	\$ 4,121,125.94

DIRECTORS

C. R. WALGREEN	R. G. SCHMITT
J. E. WARD	R. G. KNIGHT
A. C. THORSEN	JOY H. JOHNSON
WALTER SCHWANKE	HARRY GOLDSTINE
E. E. RUECKERT	

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OFFICERS

C. R. WALGREEN.....	<i>President</i>
A. C. THORSEN.....	<i>Vice President</i>
HARRY GOLDSTINE.....	<i>Vice President</i>
F. C. SCHRAMM.....	<i>Vice President</i>
A. L. STARSHAK.....	<i>Treasurer</i>
R. G. SCHMITT.....	<i>Secretary</i>
E. E. RUECKERT.....	<i>Ass't. Sec'y.</i> <i>and Ass't. Treas.</i>

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COMMON STOCK

CHICAGO

Transfer Agent	Registrar
First Union Trust & Savings Bank	Harris Trust & Savings Bank

NEW YORK

Transfer Agent	Registrar
Commercial National Bank & Trust Co.	Guaranty Trust Co.

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PREFERRED STOCK

CHICAGO

Transfer Agent	Registrar
First Union Trust & Savings Bank	Harris Trust & Savings Bank

NEW YORK

Transfer Agent	Registrar
Guaranty Trust Co.	Commercial National Bank & Trust Co.



A Walgreen Store at Broadway and Forty-first Street, New York City



A Walgreen Store—1600 East 79th Street, Chicago, Illinois



100 North Fort Street, Detroit, Michigan



Chicago Warehouse and Laboratory—4720 South St. Louis Avenue

There are 471 Walgreen drug stores, strategically located in 129 important cities, in 30 States.

We serve 144 million customers a year.

As a stockholder, you are interested in the progress of your company. Our stores are convenient. They sell a very wide variety of merchandise, including our own preparations, which are of unsurpassed quality standard. We solicit your increased patronage—on the very practical ground of your own interest, immediate and potential.



